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THE COST OF MICHIGAN'S UNINSURED CITIZENS

Testimony of Eric J. Schneidewind
President, Michigan AARP
Before Senate Health Policy Committee
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The burden of uncompensated care for Michigan's uninsured population threatens the financial health of every hospital in the state, thousands of doctors, Blue Cross Blue Shield and other healthcare coverage providers. It is a problem that must be solved.

Uninsured persons obtaining care in Michigan hospitals often cannot pay the full cost of care. These uncompensated care bills amount to over \$2 billion per year in Michigan and are rising rapidly.¹

The cost of uncompensated care is borne almost exclusively by private insurance programs because the federal Medicare program rules do not allow Medicare provider payments to easily adjust upward in response to this pressure. Likewise, state Medicaid programs use state set reimbursement rate schedules to pay for services or these services are delivered under state managed care contracts with insurers. Consequently, uncompensated care costs are passed on to consumers and businesses primarily through a "hidden tax" in the form of higher private insurance premiums.²

This year every family in your district purchasing healthcare insurance will pay over \$1,000 of hidden healthcare taxes to fund care for 1 million Michigan citizens who are uninsured.² In

¹ Center For Healthcare Research and Transformation, Ann Arbor: State of Health Care Coverage in Michigan, January 26, 2009.

² Families USA: Hidden Health Tax (Milliman Study), May 2009

testimony before the U.S. Senate Aetna CEO Ron Williams estimated these "hidden tax" costs shifts at as high as \$1788 per family per year.³ These hidden uncompensated costs are a burden on individual families and businesses purchasing healthcare insurance for their families. Uncompensated care costs raise the price of health coverage making Michigan less competitive in the United States and throughout the world.

Why are these uncompensated costs of the uninsured so high?

- a. Uninsured adults are nearly 8 times as likely as the privately insured to go without needed care due to costs (23% vs. 3%).² When they arrive at the hospital emergency room an often treatable problem has turned into a life threatening event.
- b. Uninsured adults with chronic conditions are 4.5 times more likely than insured adults to report an unmet need for medical care or prescription drugs. Id, p. 4.
- c. The uninsured are less likely to receive preventive care and screenings. Adults without insurance are nearly 7 times more likely to have gone without any preventive care in the last year than insured adults. Id, p. 4.
- d. Uninsured woman are twice as likely as insured women to have gone without a pap test in the last year.²

Under Michigan's current system of providing care to the uninsured, there is no incentive to seek and obtain the preventive primary care that could avoid hospital care. In Michigan it is easier to obtain thousands of dollars of emergency room care in a hospital than hundreds of dollars of preventive care in a clinic or office of a primary care physician.

³ Testimony of Ron Williams before U.S. Senate, April 21, 2009, p. 12.

This healthcare system for the uninsured serves no one well:

Not hospitals, doctors or nurses left with \$ 2 billion of unpaid bills;

Not Blue Cross blue Shield where guaranteed issue community rated coverage is becoming unaffordable;

Not the public paying for these costs to the tune of \$1,000 per family per year;

Not the uninsured with poor health and unpaid bills.

Simply spreading the cost of the uninsured over all citizens without fundamental reform in the payment for and delivery of healthcare benefits will only accelerate a death spiral threatening the entire healthcare system.

Medical care increases and the costs of uncompensated care are driving up the costs of individual health coverage at a rate that will only increase in the wake of auto related business failures. Blue Cross Blue Shield certainly have a point when they claim that their community rated guaranteed issue plans are rapidly turning into a high risk pool as younger, lower risk persons and the unemployed abandon community rated products. However, the same phenomenon would occur even if other carriers were required to provide individual insurance on the same terms. Unless a way is found to make healthcare insurance affordable to the uninsured population, guaranteed issue community rate products will not be affordable to a large percentage of the uninsured and their healthcare costs will continue driving individual coverage to unaffordable levels.

Affordability of Basic Coverage is the key to a functioning individual healthcare market.

If healthcare coverage is both available and affordable to all, we can make sure that all Michigan's citizens obtain care that will minimize the healthcare problems and uncompensated costs of the uninsured.

We can use drugs, testing and counseling to prevent or minimize chronic illness.

We can render care in low cost clinical and primary settings.

We can assign patients to a medical home which will coordinate care, reduce duplication of testing, medication and administration

We can manage chronic illnesses.

We can start with the 50% of uninsured citizens who could become eligible for Medicaid using federal funds.

Since more than 50% of the uninsured have incomes below 200% of the Federal Poverty Level, expansion of Medicaid is a cost effective way to provide healthcare service using primarily federal funds with a small state contribution.¹ The result will be better care for the uninsured and a lower uncompensated care burden on the private healthcare system.

For persons between 200% and 300% of Federal Poverty Level, small subsidies will enable them to afford good basic coverage and leverage the amounts that these people can pay toward their own coverage. A small subsidy can substantially increase the number of insured citizens thereby giving them access to healthcare systems featuring preventive care and ensuring a payment stream to pay for those costs where no payment has been provided.

A Time To Choose

Unaffordable healthcare options have forced young, healthy and low income people out of the healthcare system into the uninsured system.

Increasingly, guaranteed issue, community rated policies are limited to the old or unhealthy, driving up the costs of this coverage and forcing even more persons into uninsured status.

Unless financial programs/incentives can be devised to make healthcare coverage available, affordable and attractive to young, healthy and low income persons, the cost of uncompensated care threaten to make all healthcare, even guaranteed issue, community rated health coverage, unaffordable for Michigan's citizens and businesses and completely disrupt the individual health policy market.

It is time to choose between a healthcare system for the uninsured that has produced poor results and staggering costs or a new system that will improve health and reduce a financial burden that threatens all Michigan citizens.